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The Management REVIEW



JULY, 1940

COMMENT • DIGEST • REVIEW

THE AMERICAN MANAGEMENT ASSOCIATION

The American Management Association is composed of industrial and commercial companies and executives interested in modern management. The AMA makes no profit, does no lobbying, and advances no propaganda. Its interests are solely the solution of current business problems.

Organization and Operation

The AMA serves its members through six divisions: Office Management, Insurance, Personnel, Finance, Marketing, and Production. Each of these divisions is headed and directed by a man drafted from industry.

Conferences

Each of the six AMA divisions holds at least one annual conference, where problems of timely importance in its field are discussed. Printed conference proceedings go to members of the divisions concerned.

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The AMA Information and Research Department places at the command of every member company a trained research staff on management problems. In addition, the AMA maintains a modern, up-to-date library of management books and business publications.

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THE MANAGEMENT REVIEW (monthly) contains digests of articles on management appearing in over 400 publications, and brief reviews of current business books. It enables a busy man to survey all current topics of interest to him in less than 30 minutes. PERSONNEL (quarterly) publishes articles on employee selection, training, compensation, and the like. BUSINESS CONDITIONS AND FORECASTS (monthly) gives a summarized analysis of the statements of six of the foremost business services.

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WHAT's in a salary? Not much when there's a bonus arrangement, evidently. A recent study of executive compensation shows that one-third of all corporation presidents receive compensation in the form of bonus or profit sharing. It also reveals that the bonus is assuming an increasingly important role as a form of remuneration and that in some cases it is more important than the salary. In other words, incentive plans for executives are on the increase, and the code is "Make 'em earn it."

Executives always get a bad press and a distorted screen. As a result, the public looks upon them as the contented bulls of industry—lazy fatsoes who spend their time dictating windy letters, chucking secretaries under the chin, panning the government, and making golf dates—monopolistic drones who reign by virtue of some ancestral skulduggery.

That it takes talent, long training, and hard work to succeed as an executive just as it does to be a successful surgeon, and that only a tiny fraction of our executive personnel got their jobs by inheritance, are facts unrealized by the public. The public judges its man by what it reads in the papers, and too frequently the executive makes news only when his salary seems exorbitant, when his company is involved in a strike, or when the government calls upon him to testify before some inquisitorial committee. The extension of bonus plans gives additional evidence that executives are being made to prove themselves in as workers. See page 238 (Salary and Bonus Plans for Top Executives).

WHO is Butch? He's a fly with a gold spot on him, and if you catch him, he's worth \$500 to you. Last reports were that Butch is still at large—an actor in one of the most exciting promotional stunts we've heard of recently. Stanco, Inc., on behalf of Flit, released 2,001 flies in Miami. They marked each fly and offered a prize for every one returned. The odd fly was Butch—still missing. See page 258.

THE MANAGEMENT INDEX

General Management

Management Research

MANAGEMENT today is recognizing more and more the importance of research and fact-finding as a tool for effective policy administration and general administrative control. Indeed, management research has become a "right arm" of management and a further step in the long process of minimizing the effects of personal whims, prejudices, hunches and guesses in the profession of business administration.

Two distinguishing characteristics of management research stand out in comparison with other fields of business research. In the first place, its problems relate to questions of broad policy rather than to methods or routines. In the second place, problems of management research by their very nature are all-company problems. The question usually is not so much how a specific department or phase of the business can be made more effective, but how all departments and phases of the business can combine most effectively.

There is no standard technique in management research. There are just

as many different procedures, almost, as there are investigations to make. The reason is obvious. A management research problem at the start is inherently obscure and indefinite, and the worker must develop his procedure as he goes along.

What lies between the inception of the study and the final report of a research investigation generally conforms, in its broad outlines at least, to the following pattern:

1. *Getting Started:* The research worker usually begins with a very broad problem. His hardest job is to get started; once he has mapped his main avenues of approach, the rest of the task is relatively easy. Accordingly, he begins by exploring and testing all possible means of getting at the core of the problem. Before long, the required course of action begins to take shape, but often it takes weeks of research and dozens of trial starts before he can determine the procedure to be followed.

2. *Grubbing:* As soon as specific objectives and approaches are found, the process of gathering facts begins.

For publishers' addresses or information regarding articles or books, apply to AMA headquarters.

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It can go under no other term than "grubbing." The required information may be buried deep in the firm's ledgers or deep in a worker's mind. It may be as specific as a statistical fact or as intangible as an attitude. Usually this study is not a matter of the elaborate questionnaires and complex statistical analyses that most people associate with other kinds of business research. Moreover, the required information is seldom general run-of-mill operating data easily obtained, but rather is illusive and intangible, and is found in the most out-of-way places. Throughout this process, the objectives are under constant scrutiny. Some methods of approach are being discarded and others added as new facts throw an increasingly clear light on the central problem.

3. *Separating the Wheat from the Chaff:* All through the "grubbing" process, the research worker, guided by specific objectives and approaches which are becoming increasingly clear as the fact-collecting stage progresses, is continually testing and examining the facts disclosed for their bearing upon the final result. But the real part of this work comes when most or all of the facts are in. It is then that the final report begins to take shape. The task is now a joint one of synthesis and analysis. The facts must first be sifted, combined and related so that the various aspects of the problem begin to stand out clearly and objectively without too much conflicting detail.

4. *Interpreting the Result:* The result of the study is interpreted through

a report to the management. This step is the most important of all, because on its success depends whether the study is just another survey or a definite contribution to the effective management of the enterprise.

The report, whether presented orally or in writing, is the only way that the result of the research worker's study can be interpreted, and for this reason as much care and attention should be devoted to the preparation of the report as to the actual investigation. Every management research report should be tailor-made to suit the occasion. It should be in terms of the personal characteristics of the executive for whom the study is being prepared and in terms of the particular purpose of the study. If the executive does not readily grasp statistics or if he seldom displays patience in reading through pages of text, then all but the essential or summarized facts and explanations should be omitted. If charts seem to be an effective medium of understanding, then charts should be devised to illustrate important findings.

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The research worker must avoid criticism in his report, as well as the suggestion of criticism in the process of gathering his data. He must always reflect a constructive point of view.

To get the best results, the man relied on for the task of management research is preferably attached to the chief executive offices. This arrangement is not only desirable from the standpoint of easy access and close relationship to the executive to whom

the management research worker reports, but the relationship carries with it an implied authority to obtain facts in all departments of the business.

Likewise, the person entrusted to do management research must have an intimate knowledge of the business as a whole and a background that is sufficient for him to see the broader aspects and ramifications of a problem. This requirement does not necessarily mean that the research man must have had actual experience in all departments of the business. In many respects, the man who gains this intimate knowledge by intelligent observation and by

studying the relationship of each phase of the business to the entire company is more advantageously equipped for his task than if he had obtained this knowledge through actual experience in the company.

Above all, the management research worker must have that practical sort of imagination, coupled with a loyalty to his company and a devotion to his work, that is characteristic of all people who search for the unknown, whether explorers, inventors or research workers.

BY JOHN S. PERKINS. *Harvard Business Review*, Summer, 1940, p. 488:8.

Starting on a Shoestring

FEW companies started big. The soundest concerns seem to be those that started on a shoestring. There is something about the struggle to start a little business, to finance it, and to keep it going that gives the enterprise staying qualities. The small proprietor who goes through this ordeal and who survives, acquires a type of executive ability that is likely to carry him far.

All but a few of the largest manufacturers in the United States started with little more than an idea. Many of them financed themselves at the outset by making a few units of their products; then they went out and sold them and thus got money to buy more raw materials.

That is what H. J. Heinz did. He put up a few bottles of horseradish,

put them in a basket, and peddled them around. Gradually pickles and other things were added to the line. Workers were hired, a salesman was engaged, the business was moved from the kitchen to a little factory, and the great H. J. Heinz Co. was on its way.

P. & F. Corbin, makers of builders' hardware, had a similar beginning. Phil Corbin, the founder, manufactured only three things at first—balls for oxen horns, bull rings, metal boot-jacks. He sold his original production to neighboring farmers. When he was not out selling, he was home manufacturing. Young Corbin financed his business out of the sales.

Apparently, it does not make much difference how much capital a young business man has at the outset—though eventually, of course, capital

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is needed for expansion unless the proprietor is content to remain in the shoestring stage. The surest method of acquiring capital is to plow back the earnings into the enterprise. Business men who do this usually succeed; those who withdraw a large part of the profits seldom prosper.

Take James B. Duke, the founder of the American Tobacco Company. When James was 18, his father took him and a brother into partnership in his small tobacco business. James supplied the spark that made the business boom. In a few years they were netting in excess of \$50,000 annually. Despite their generous earnings, James Duke insisted that no partner draw more than \$1,000 a year. He himself lived in a hall bedroom and had his meals at a Bowery lunchroom. About \$50,000 a year was plowed back into the concern.

William L. Douglas is another young man who converted an idea into a fortune—factory-made shoes. In his days, shoes were made by cobblers, usually in their own little shops. That is the way Douglas was working when he got his idea. He started with \$875 borrowed capital, a rented room, some machinery, five employees—and an output of 48 pairs of shoes a day! He operated on a hand-to-mouth basis,

buying his leather every day and carrying it to his factory himself. It wasn't many years before that \$875 had grown into a capital of millions of dollars.

Who would believe that the great General Foods Corporation was launched on an initial capital of \$58.75? Its basic unit, Post Product Co., started on this amount. Another General Foods unit, Towle's Log Cabin Syrup Co., originated as a hole-in-a-wall syrup business with the proceeds of an endowment insurance policy.

Having friends put up a few dollars to back an idea is a common method of financing a little business. Everyone knows that it was in this manner that Henry Ford started. Eleven men chipped in money to make the Ford Motor Co. possible. The twelfth man in the setup supplied the idea for the business. That was Henry Ford.

Most businesses started that way. And they are still doing it. Thousands of them were started during the depression. Men and women unable to find work initiated some little enterprise of their own. Of course, many of them failed. But a lot are succeeding. Some will be the giant corporations of 1960. BY JOHN ALLEN MURPHY. *Forbes*, July 15, 1940, p. 20:4.

► APPROXIMATELY 74 per cent of employee house organs use the magazine format style, according to a recent survey made by the S. D. Warren Co., of Boston, Mass. The remaining 26 per cent use the newspaper style.

—*A Bulletin for the Editor's Notebook* 6/40

Salary and Bonus Plans for Top Executives

ALMOST one-third of all corporation presidents receive compensation in the form of a bonus or profit sharing in addition to their annual salaries. This is revealed in a study now being conducted by the editors of *American Business* on executive and clerical salaries in all lines of business.

These bonuses and profit-sharing arrangements range all the way from a small Christmas bonus (when business is good) up to figures which are considerably in excess of the president's annual salary. Presidential salaries for the purpose of the study have been divided in the following groups:

- Up to \$10,000 a year
- \$10,000 to \$15,000 a year
- \$15,000 to \$25,000 a year
- Over \$25,000 a year

Nearly half of all presidents' salaries which were reported in this study—46 per cent, to be exact—are in the first classification—up to \$10,000 annually. The next largest classification is the \$15,000-to-\$25,000-a-year bracket, which includes 21.6 per cent of the total. The group receiving more than \$25,000 a year is a close runner-up with 20.1 per cent of the total, which leaves 12.2 per cent for the bracket including all presidents receiving \$10,000 to \$15,000 annually. These figures do not include the bonus earnings, which would change the classifications considerably.

As has been indicated, presidential

compensation in many cases depends considerably on some kind of bonus or profit-sharing arrangement. For example, there is the case of the president of a pharmaceutical manufacturing company with a capital and surplus of more than \$3,000,000 whose annual salary is \$30,000, supplemented by a \$13,000 bonus, bringing his total earnings to \$43,000 annually. The president of a hosiery mill with capital and surplus of approximately \$2,000,000 is paid \$15,300 a year in salary, with a bonus arrangement which gives him 5 per cent of all profits above \$150,000 a year.

In some cases, the bonus is more important than the salary, as in the case of a small rubber company whose president receives a salary of \$7,280 a year augmented by a bonus of approximately \$10,000 a year. In another case, a small meat-packing company with a capital and surplus totaling \$1,250,000 paid its president a \$7,000 salary but permitted him to earn a bonus of \$16,000.

Bonus payments are based, in some cases, on net sales as well as on a share of annual profits.

There is scarcely any rule as to who is the second highest-paid officer in a corporation. It may be the first vice president, the vice president in charge of sales, the general manager, the secretary or the treasurer. In a few cases the general manager, the general sales manager, or the vice president in charge of sales is paid

more than the president of the same corporation.

The vice president is the second highest-paid officer of 38.4 per cent of all the corporations reporting in this current study of corporation executive salaries. In 15.7 per cent of the corporations, the second highest-paid officer is the secretary, treasurer, or, in the case where the two jobs are combined by one man, the secretary-treasurer. Leaving the corporation officers, the second highest-paid executives are the factory superintendents, 8 per cent

of whom rank ahead of the officers. Next come general sales managers, who are the second highest-paid executives in 5.7 per cent of the corporations, followed by general managers, who achieve second place in earnings in 3.6 per cent of corporations.

The average age of all presidents whose companies reported figures for this salary survey is 52 years, with an average of 18 years of service with their present companies.

American Business, July, 1940, p. 11:4.

Industry's Ability to Produce

PPRIVATE industry is capable of rapidly increasing production of most products necessary to the speedy execution of a well-planned and organized defense program, if an adequate supply of skilled labor is available. A recent Conference Board questionnaire survey of leading business executives revealed that most industries are free of bottlenecks; many expect to meet anticipated needs without much difficulty.

It was also generally reported that, so far as can now be seen, heavy capital expenditures are not needed, although in some instances substantial investments are likely to be required to provide facilities for entirely new products. Production on the whole can be greatly expanded through multiple-shift operations or by the lengthening of the workweek.

The most serious problem is the skilled-labor supply. About 60 per cent of the contributors to this survey reported that they either are experiencing a skilled-labor shortage or that they look for one as soon as production is rapidly increased.

In the machine tools industry, nearly all replies mentioned the existence of a skilled-labor shortage at the present time. Industries in which reports of shortages or expected shortages outnumbered those of no lack of trained labor included: automotive, electrical equipment, foundries, hardware and plumbing, heavy machinery, nonferrous metals, railroad equipment, steel, and wire and cable.

Steps are being taken to remedy the situation, and a number of business leaders were confident that industry could solve the labor-shortage problem through careful scheduling of work and through the adoption or extension of training programs.

—The Conference Board Economic Record 7/10/40

► A HIGH recommendation for any business is that its employees themselves use the products that they are engaged in producing and marketing. Many companies boast this testimonial. But the Minneapolis Artificial Limb Co. is a bit different. Every one of its 133 employees, both in the factory and on the sales staff, is physically handicapped and wears one or more of the company's artificial appliances. Ray Trautman, head of the firm, claims that the average handicapped person who is properly equipped with an artificial limb loses no more than 1 per cent of his efficiency.

—Nation's Business 7/40

Office Management

Testing Office Employees

IN considering use of a battery of tests for the selection of office employees, it should not be expected that the test scores will in themselves automatically designate one individual as satisfactory for the job, and another one unsatisfactory. However, the use of a properly selected battery of tests should almost immediately give sufficient information to identify those who are definitely unqualified.

In the Service Bureau of International Business Machines Corporation, a definite procedure is followed in setting up a testing program. The steps are as follows:

1. Outline the difficulties encountered in the present hiring system and endeavor to determine what percentage of employees failed to make good and the percentage of employees now on the job who are not entirely satisfactory. Determine, also, whether or not the reasons for failure suggest that tests might help, and what types of tests might be expected to be most useful in the solution of the problem.

2. List all present employees who are available for testing, classifying them by job, length of service, age, educational background, very careful rating of performance, and any objective measures of performance which are available, such as production.

3. Try to get from each person who has any responsibility in the hir-

ing of such employees a list of the qualities and abilities for which he looks in interviewing applicants, and which he feels are necessary for success on the jobs in various classifications.

4. Classify the various jobs, and prepare a job analysis.

5. On the basis of the above analysis, make a selection of the experimental tests to be used.

6. Select and train a person or persons to administer the tests which are chosen.

7. Administer the test to all employees and all applicants, whether these applicants are hired or not. The selection of new employees will proceed, at this stage, without reference to the test scores and preferably without knowledge of the test scores.

8. The test scores of employees should be analyzed and compared with the success of these employees, using all the data gathered in steps 1 and 2.

9. Determine the length of time required for a fair trial on the job, and at the end of this time secure ratings and other measures of performance for new employees. These ratings will be compared with the test scores at the time of employment to determine how well the tests would have selected the good and eliminated the poor employees.

10. When the tests have been found

successful at each previous step, they will be used as one of the instruments for selection of new employees, along with the interview and such other procedure as it is desirable to use.

For many positions it will be desirable to employ a test which measures aptitude (as contrasted with achievement or ability) for the type of work to be done, but the development of such tests is in a relatively early stage, and there are only a few fields for which they are available. There are available, however, some clerical and mechanical aptitude tests which are fairly satisfactory.

There are several very good vocational interest tests available. These tests indicate the extent to which an individual's interests agree with those of successful people in various fields. A vocational interest test indicates that the applicant's interests, but not necessarily his abilities, lie in a specific field. On the other hand, a low score would probably indicate that the person would not be successful. These tests require considerable time to administer, a greater length of time to

score, and the scores should be interpreted by someone who is familiar with their limitations.

Many personality tests and temperament scales are available. These are primarily self-evaluating media. Thus an applicant can malingering. While reliable tests of personality would be useful, the value of the tests currently available for employment purposes is rather questionable, and experience and judgment must be applied to their interpretation.

There is another type of test being developed at the present time which holds great promise—the attitude test. Through studies of an individual's attitude toward various ideas and institutions, we may be able to predict his ability to fit into specific work situations.

Use of these tests should not result in discontinuance of the interview, or the use of references and application blanks; rather, the test scores should play a very great role in the conduct of the interview.

By E. C. SCHROEDEL. *NOMA Forum*, June, 1940, p. 15:6.

Simple Logic

- **T**HE man who fears he'll lose his job
Will never rise above the mob;
Nor will the man so firmly planted
He always takes his job for granted—

Which narrows the field to that rare eccentricity:
The common-sense guy who can get good publicity.
—G. B. WALTON

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Centralized Files

THERE is no hard and fast rule for setting up a central file in a business house. Of course, it must be tailor-made in order to serve the company properly.

Generally speaking, records which are confidential in nature, which are in "work," or which are of value to but one department should remain in the departments and not be centralized. Some firms consider personnel records, legal matters, and financial statements highly confidential. In that event they are kept in department files. But where annual statements are published, there is no reason whatsoever why copies should not be retained in the central file. Unfilled purchase orders, unfilled sales orders, and production schedules do not belong in the central file because reference to them is too frequent. When completed, however, they very rightly should be in the central file. Records of use to but one department, such as advertising distribution records (which are of value only to the advertising personnel) and tariffs (with which only the traffic manager is concerned), belong in department files. On the other hand, correspondence from these two departments should be sent to the central file. Unless a department is located at some distance from the general office, all other records, with the exceptions noted, can be incorporated in a central file.

The decision to centralize records, before the actual work is started, should be preceded by:

- a. A survey of all the records in the house. This should be done in order to determine what should or should not be put into the central file.
- b. The support of the majority. There is always considerable opposition to the installation of a central file, partly because of habit, partly because of fear. People dislike changing their ways of doing things, even though the change may be to their benefit. Fear is involved on the part of department heads who are afraid they may not secure the papers again, once they leave the department; fear on the part of clerks who think authority, or even their jobs, may be lost to them by such a move. The assurance that better and more economical service will result from the centralization of records is a prerequisite to the successful operation of such a filing system.
- c. The establishment of an interdepartment communication system. Records removed from one floor to another in the process of centralization must be accessible to the departments needing them; and even if they are close at hand, provision must be made to service them promptly. Therefore, the establishment of an interdepartment telephone and messenger service, or dummy elevators, or a tube system between floors must

be provided for before centralization is put into effect.

Just because records are grouped together in one physical location does not mean that they are centralized. A true central filing department usually contains several divisions: e.g., orders, correspondence with customers or vendors, bills of lading, credit memos *under one alphabetical index*; a voucher section arranged either by name or number; a data section filed according to commodity or subject; perhaps a catalog and a credit division.

Although orders, correspondence, credit memos, and bills of lading for one concern are brought together, it is not necessary to crowd them into one folder, with the resultant fingering of many kinds of papers in order to find the one needed. Each type of paper can be segregated in its own folder, all in juxtaposition but easily dis-

tinguished by different-colored labels.

One of the most interesting recent developments in central files has been in the field of executive records, including such material as reports, pamphlets, statistical information, and other data. While this material ordinarily does not belong in the main file room because of its confidential nature, it has been found very satisfactory to combine such material in a file of its own, located near the executive offices. Such a file has the advantage of any central file: that of eliminating duplications and bringing together everything on the same subject. It also brings to light material that is apt to be buried in bookcases and desks. Since it is often not large enough to warrant a full-time file clerk, its maintenance can be made the part-time duty of one of the secretaries. BY BERTHA M. WEEKS. *The Office Economist*, May-June, 1940, p. 4:3.

Rest Periods as "Hours Worked"

SHORT rest periods given employees in the course of their day's work must be counted as working time for the purposes of the Fair Labor Standards Act. Administrator Fleming has instructed field representatives of the Division that, in computing "hours of work," payment under the Act should be required for rest periods up to 20 minutes in length. When rest periods customarily taken by employees are longer than 20 minutes, final decision as to whether or not employees must be paid for such time will rest with the regional director.

In regard to rest periods longer than 20 minutes, the following considerations were set forth as a guide for regional directors in determining whether or not the periods should properly be counted as working time: (a) the freedom of the employee to leave the premises and go where he pleases during the intermission; (b) the duration of the intermission, whether sufficient to permit the employee reasonable freedom of action and a real opportunity for relaxation; (c) whether the intermission is clearly not an attempt to evade or circumvent the provisions of the Fair Labor Standards Act.

—*Wage and Hour Reporter* 6/17/40

Personnel

Share-the-Work Provisions in Union Agreements

ABOUT 25 per cent of the workers covered by the 7,000 current union agreements on file with the Bureau of Labor Statistics work under agreements which contain share-the-work provisions. Many agreements first tackle the problem of distributing available work through regulation or prohibition of overtime. From that point the share-the-work plans now provided in union agreements are of three general types: equal division of available work; some, but not equal, distribution of work; and combined work-sharing and layoff plans.

Almost every union agreement includes provisions governing overtime work. Many of these are designed to protect the regular maximum work-day and workweek through such provisions as those requiring payment of a higher rate for hours worked in excess of the regular number. In some cases, however, the overtime provisions are designed to prevent some members of the union from working extra hours while other members are unemployed.

Some highly seasonal industries under union agreements prohibit overtime entirely. Examples are the men's and women's clothing industries. In these cases the prohibition of overtime tends somewhat to lengthen the busy season and to curtail the periods when

the shops in the industry are shut down.

In some instances overtime is not prohibited altogether, but the amount permitted is so small as to mean a virtual prohibition. This results in hiring of additional employees instead of having available work done on overtime.

Many agreements provide for the equal division of available work during slack seasons. Such a provision entirely prevents layoffs during the life of the agreement, which is usually one year. All those employed at the time the agreement is signed remain on the company's payroll, even though the hours they actually work may be reduced to a mere fraction of the regular workweek. During a severe seasonal slump the plant will shut down for part of each week or operate with only a skeleton force at any one time.

In a few industries equal division of work is secured by rotating the regular employees. Longshore workers on the Pacific Coast are given available work in rotation. Under the union agreement, longshoremen seeking work must register at the port's hiring hall. As the employers request help, the men are dispatched from the hiring hall in rotation. By keeping records on the number of hours each longshoreman works, the hiring hall distributes work evenly among those registered.

Some agreements do not attempt to distribute available work during the slack season to all employees of a company, but divide the employees into groups according to the departments or occupations in which they are employed. The available work is then divided among the employees in that grouping. Agreements of craft unions which provide for work-sharing necessarily come within this group, since the craft unions bargain only for a single occupation or a few related occupations.

In cases of a severe seasonal depression or a downward fluctuation in the business cycle, both the company and the employees may object to strict application of the equal-division-of-work principle. Some agreements therefore provide for two steps when business falls off: first, equal division

of work until hours are reduced to a specified point (usually 24 or 32 hours a week); second, if further curtailment is necessary, layoff of the regular employees, usually according to seniority. Occasionally the questions of when layoffs are to begin and the method of layoff are left to subsequent negotiation. Such plans may be applied to the plant as a whole or separately to each department or occupation.

Some provisions do not specify the method to be followed when a slump occurs, but provide for the participation of the employees in the decision when the time arrives. Such an optional provision in the agreement requires consideration of whatever plan the workers decide to propose. *Monthly Labor Review*, June, 1940, p. 1340:9.

Jobholders' Reports

IN order to do a thorough job of policy construction and administration, management must know how those affected by policies react to them. Any policy, no matter how sound it may be in itself, is faulty if it is not understood and subscribed to by those to whom it is directed.

If we accept this contention, it follows that management must do two things:

First, it must learn how much the employees know about the things they should know.

Second, it must learn how the employees feel about these things.

The way to find out is *to ask them*. Unquestionably, the best approach is through personal contact. There is no successful substitute for frank, informal, personal conversations; but supplementary means such as questionnaires may be used to advantage. Having ascertained the character of information to be imparted, each of us must then select the medium best adapted to his particular needs.

Fortunately, there is no dearth of vehicles for transmitting information to employees. They fall logically into two general categories—the first group being composed primarily of printed

Personnel

Share-the-Work Provisions in Union Agreements

ABOUT 25 per cent of the workers covered by the 7,000 current union agreements on file with the Bureau of Labor Statistics work under agreements which contain share-the-work provisions. Many agreements first tackle the problem of distributing available work through regulation or prohibition of overtime. From that point the share-the-work plans now provided in union agreements are of three general types: equal division of available work; some, but not equal, distribution of work; and combined work-sharing and layoff plans.

Almost every union agreement includes provisions governing overtime work. Many of these are designed to protect the regular maximum work-day and workweek through such provisions as those requiring payment of a higher rate for hours worked in excess of the regular number. In some cases, however, the overtime provisions are designed to prevent some members of the union from working extra hours while other members are unemployed.

Some highly seasonal industries under union agreements prohibit overtime entirely. Examples are the men's and women's clothing industries. In these cases the prohibition of overtime tends somewhat to lengthen the busy season and to curtail the periods when

the shops in the industry are shut down.

In some instances overtime is not prohibited altogether, but the amount permitted is so small as to mean a virtual prohibition. This results in hiring of additional employees instead of having available work done on overtime.

Many agreements provide for the equal division of available work during slack seasons. Such a provision entirely prevents layoffs during the life of the agreement, which is usually one year. All those employed at the time the agreement is signed remain on the company's payroll, even though the hours they actually work may be reduced to a mere fraction of the regular workweek. During a severe seasonal slump the plant will shut down for part of each week or operate with only a skeleton force at any one time.

In a few industries equal division of work is secured by rotating the regular employees. Longshore workers on the Pacific Coast are given available work in rotation. Under the union agreement, longshoremen seeking work must register at the port's hiring hall. As the employers request help, the men are dispatched from the hiring hall in rotation. By keeping records on the number of hours each longshoreman works, the hiring hall distributes work evenly among those registered.

Some agreements do not attempt to distribute available work during the slack season to all employees of a company, but divide the employees into groups according to the departments or occupations in which they are employed. The available work is then divided among the employees in that grouping. Agreements of craft unions which provide for work-sharing necessarily come within this group, since the craft unions bargain only for a single occupation or a few related occupations.

In cases of a severe seasonal depression or a downward fluctuation in the business cycle, both the company and the employees may object to strict application of the equal-division-of-work principle. Some agreements therefore provide for two steps when business falls off: first, equal division

of work until hours are reduced to a specified point (usually 24 or 32 hours a week); second, if further curtailment is necessary, layoff of the regular employees, usually according to seniority. Occasionally the questions of when layoffs are to begin and the method of layoff are left to subsequent negotiation. Such plans may be applied to the plant as a whole or separately to each department or occupation.

Some provisions do not specify the method to be followed when a slump occurs, but provide for the participation of the employees in the decision when the time arrives. Such an optional provision in the agreement requires consideration of whatever plan the workers decide to propose. *Monthly Labor Review*, June, 1940, p. 1340:9.

Jobholders' Reports

IN order to do a thorough job of policy construction and administration, management must know how those affected by policies react to them. Any policy, no matter how sound it may be in itself, is faulty if it is not understood and subscribed to by those to whom it is directed.

If we accept this contention, it follows that management must do two things:

First, it must learn how much the employees know about the things they should know.

Second, it must learn how the employees feel about these things.

The way to find out is *to ask them*. Unquestionably, the best approach is through personal contact. There is no successful substitute for frank, informal, personal conversations; but supplementary means such as questionnaires may be used to advantage. Having ascertained the character of information to be imparted, each of us must then select the medium best adapted to his particular needs.

Fortunately, there is no dearth of vehicles for transmitting information to employees. They fall logically into two general categories—the first group being composed primarily of printed

material; the second utilizing personal contact as a basis.

In the first group, eight methods of passing along information to employees are cited as examples:

1. Utilization of pay envelope stuffers.

2. Attaching of informative material to time cards.

3. Informal letters and notices distributed to employees at their place of work or, better yet, mailed to their homes.

4. Bulletin board postings—reprints of advertisements, colorful posters, etc., add interest to general bulletin copy. Effective results require the avoidance of overcrowding of the bulletin board, use of new rather than stale material, and orderly posting. A "sloppy" board is distasteful and detracts from the impressiveness of the posted information. It is desirable that the posted material have a personal or company touch rather than be constituted to a large extent of what may be considered "canned stuff," prepared by outside agencies.

5. Some companies have combined community relations with employee relations and have published company material in leading newspapers of the communities in which their factories are located.

6. The company periodical offers an excellent vehicle for telling the employees of the plans, progress, policies, products and problems of the organization of which they are a part. I suggest as an editorial policy one of complete honesty and openness, and the avoidance of material which may be

construed by the readers to be subversive propaganda.

7. The introduction of new programs or the general interest attached to specific occasions or events may justify the expense of preparing special printed booklets describing them. Mailing these booklets to the homes of the employees should be considered in order to have them received under conditions best adapted to a careful reading and to permit members of the employee's family, in addition, to become acquainted with their contents.

8. Periodic reports of operations to employees are being issued by many companies today. It has been standard procedure for many years to make reports on the state of the business to stockholders on a semi-annual basis. Is it not natural to ask if the employees—members of the organization—are not just as interested in the business of which they are a part as the stockholders?

As examples of the types of approach which logically fall into the group using presentation in person, the following four may be cited:

1. Departmental or group conferences. Included under this heading we should consider meeting regularly with employee representatives.

2. Meetings at lunch hour or some other satisfactory time in the work-day at which company movies, newsreels, music, etc., can be brought into play to round out programs of talks by supervisors and executives.

3. The holding of "open house" offers great opportunities for the company to tell its story to the employees

and residents of the community.

4. Conferences with salesmen and supervisors represent one of the most effective media to assist in the job of disseminating information throughout the organization, as well as to assure

proper interpretation of company activities.

BY J. J. EVANS. From the Proceedings of the Industrial Personnel Institute. *Engineering Bulletin*, Purdue University, November, 1939, p. 15:6.

Safety Promotion Plan Builds Morale

"SAFETY BLOCS" are recommended by the Delco Brake Division of the General Motors Corporation, Dayton, as a better approach to employee interest in safety, plant housekeeping, and loyalty. A bloc is made up of 100 employees. Nine blocs operate in the plant, each with its own officers and committees. Names of the 900 employees were listed alphabetically, and the man whose name came first was put in Bloc 1, second man in Bloc 2, and so on through the list. By this method the weakness and unfairness of interdepartmental competitions have been avoided.

Ordinarily, enthusiasm over safety contests is short-lived. But under the bloc plan, interest is maintained throughout the year, and employees give thought to safety not only in the plant but also on the highway and in the home. The plan, too, stimulates employees to make the plant cleaner and to offer suggestions.

Delco Brake has worked out a system of grading for the competition, which runs throughout the year. Points are given to blocs according to the record of members in the following: number of serious or lost-time accidents during the month; housekeeping rating of individual bloc members each month (as determined by an inspection); number of suggestions turned in by members; interest in company activities; attendance at bloc meetings; and for percentages of lates, absentees, and failures to ring clock cards. Each bloc is supposed to have a social or educational meeting every three months and is given points on observance of this rule.

Executives act as advisers to each bloc. Standings of the blocs are published monthly, and competition is keen. At the end of the year points accumulated by each bloc are added up to determine which group won. The company gives a dinner for the winning bloc, passes out merchandise prizes, checks, trophies. Runner-up blocs are also suitably remembered.

—*American Business* 4/40

Workers' Clothing Expenditures

CLOTHING expenditures claimed 10.6 per cent of the average city worker's family outlay in 1934-36, a study prepared by the Bureau of Labor Statistics Cost of Living Division shows. Among families with incomes from \$500 to \$3,000, the amount spent for clothing was greater at higher income levels, not only in dollars but also as a proportion of total family expenditure. When families are classified by amount of total expenditure per adult equivalent, a sharp increase in clothing expenditure per person was found at higher economic levels. Important differences were noted in total clothing expenditures of persons of different age, sex and occupation, even when differences in income and family size were held constant. Employed women spent most, then employed men, followed by women at home and men at home.

—*Monthly Labor Review* 2/40

Production Management

Things to Do About Idle Plant

CONTROL of idle plant and equipment is a neglected management problem which, when considered at all, has had only limited treatment for the purpose of determining proper cost allocation of carrying charges. To state it in another way, it has been a question of determining the extent to which it is defensible to relieve product costs of idle-time charges.

Investment in idle plant and equipment is an unfruitful allocation of company capital. Its retention is essentially a speculation in the trend of second-hand equipment prices. In some manner the amount of such equipment should be kept before the eyes of management, and action to free the dollars represented should be encouraged. Until such action has been taken, accounting manipulations can only shift the accounting allocation of the loss; they cannot eliminate it.

Very little has been written concerning the avoidance or reduction of idle plant investment. Recently an attempt was made to get a representative sample of conditions in the New England area, including large and medium-sized concerns, and concerns with many branches, few branches, and none. Twenty-four companies were actually visited.

Unused capacity ordinarily arises in extreme form as a result of (1) seasonal or cyclical fluctuations, (2)

methods or product obsolescence, or (3) a change of demand. Of these causes, the results of the first must be borne with, for seasonal and cyclical fluctuations are normal characteristics of business. Control lies in so organizing production as to reduce to a minimum the idle capacity at any one moment. Only by a change in the mode of doing business will it be possible to reduce cost or to liquidate any of the fixed investment. Some success has been accomplished along both these lines. A partial balance of seasonal variations of the main product line of a company is frequently possible by taking on manufactured products with different seasonal variations. If the product is not affected by style conditions and does not deteriorate with age, seasonal fluctuations can be reduced by manufacturing for stock.

One company in the textile field followed the policy of having mills with smaller capacity than the anticipated demand, and of farming out peak orders. In this way the company's own mills could operate most of the time at high capacity, with a consequent increased economy, for a drop in demand merely eliminated work farmed out. Another approach, which has obvious limitations and must be used only with great care, is that of taking on products on a marginal-cost basis, either at certain stages

in the cycle or, where there is a perpetual excess in forms of capacity that cannot be segregated and liquidated, throughout the entire cycle.

Of considerably greater importance to many companies were the methods of reducing the investment in cases where obsolescence or decreased demand created a problem in the form of owned plant and equipment that could no longer be usefully employed. No new product could be found to fill the void. To meet this situation, five procedures appeared to be in use:

1. A central department that undertakes to clear all surplus equipment into productive uses.
2. Control of surplus and idle equipment through a department that has another more important purpose, such as supplies or purchasing.
3. A committee that has as one of its responsibilities the determination of what to do with idle plant.
4. Circulated lists are checked by each operating point and by the purchasing department before equipment-

purchase-order requests are approved.

5. Various informal methods, such as close management supervision through constant inspection, or supervision within a single plant by the superintendent or other official.

Some generalization as to conditions under which the different approaches are applicable may be helpful. Study of the cases investigated indicated rather clearly that where the number of branches is large, where the equipment is standardized, and where the trend of the business is downward or stable, one of the more formal approaches is called for. All of these aim to place a definite responsibility for results, and recognize the problem as sufficiently important to warrant organization to meet it. Where there is but one plant, or only a few geographically concentrated branches, where the business is expanding rapidly, and where equipment is specialized, informal methods work satisfactorily. BY WYMAN P. FISKE. *Factory Management and Maintenance*, June, 1940, p. 57:6.

Mechanization in Bituminous Coal Mining

AS much as half of the annual underground production of bituminous coal in the United States may be loaded mechanically within the next 10 years, as compared with an estimated one-fourth of the output so loaded in 1938, according to a study by the Works Projects Administration. The study shows, for example, that in West Virginia mechanically loaded coal in 1937 was seven and one-half times that for 1935, while in Indiana the increase was from 62.5 per cent of the underground product in 1935 to 80.6 in 1937. Since shoveling coal into mine cars requires from 50 to 60 per cent of the total force in a bituminous mine, the change from hand to machine loading has great significance in raising the output of mine labor and also in reducing the employment opportunities involved in producing a given quantity of product.

—*Monthly Labor Review* 2/40

Retraining on the Job

AT the Gary Sheet and Tin Mills of the Carnegie-Illinois Steel Corporation, selected trainers, working under the supervision of departmental superintendents, augment the instruction of operating foremen.

The job trainers selected have received 68 hours of classroom instruction in the techniques of training employees. Before assignment to full-time job-training duties, they were given an orientation period varying from one to four weeks, during which time they observed operations in the department to which they were assigned. During this time they analyzed the results of merit rating and determined, with the advice of departmental superintendents, those locations where the need for training was most pronounced.

After carefully analyzing the needs, it was determined that retraining in connection with the employee's present job offered the greatest possibilities for accomplishment. The following plan was pursued in putting the general program into effect:

1. Job analyses were prepared by job trainers covering those occupations where training was to be done. These analyses covered manipulative skill requirements of the job, job functions in sequence, related technical knowledge, and safety factors affecting the job. The analyses were reviewed by the Training Bureau and the departmental superintendent, and then followed in training employees

in sequential steps of operation.

2. Mill and other unit delay reports were utilized in determining the basis for training in the elimination of certain specific delays.

3. Instructions concerning individual deficiencies were given to employees who were below average in performance.

4. Group conferences covering related technical information pertinent to the job were held for employees who volunteered to attend. These conferences followed a definite outline, including mechanics of operation, order specifications, and quality standards. The conferences were supplementary to training on the job.

5. Job trainers analyzed unsafe practices resulting in injuries sustained by the employees and hazards incidental to the employees' work. Safety training was then given to the employees through the following means: Visual safety education was undertaken, with motion pictures and slides depicting unsafe practices. Employees were informed of unsafe practices at the time of occurrence. Safety-consciousness was developed through daily contacts. The Director of Safety was also assisted in the preparation of safety questionnaires and other material for use of foremen and trainers in crew safety meetings.

6. Trainers were instructed in methods of analyzing merit ratings to single out those employees in need of further development. It was deter-

mined by comparison with tonnage production reports, scrap reports, and other quality and production records that those rated low on "Over-all Job Performance" were in most need of immediate training. This definite correlation made it possible for trainers to segregate employees in performance groups and concentrate on training where the need was most evident.

7. Job trainers assisted foremen in interviewing employees in regard to their ratings, and were informed by foremen of employee attitudes, grievances, and production difficulties as revealed in interviews. This enabled trainers to approach more intelligently the problem of training the lower-rated worker.

8. Job trainers prepare either daily

or weekly reports covering their activities. These reports are given to the departmental superintendent, and copies are forwarded to the plant director of training.

Trainers have been taught to use variable budgetary control reports in checking the results and effectiveness of their training efforts. Other tools used for this purpose are departmental production reports, semi-annual merit ratings of employees, delay statistics, scrap percentage reports, off-weight plate percentage reports, reports of mis-cuts, and other standard reports used in quality comparisons. BY EUGENE B. MAPEL. From the Proceedings of the Industrial Personnel Institute. *Engineering Bulletin*, Purdue University, November, 1939, p. 63:6.

Legitimate Constant Wage Plans

TWO methods of wage payments designed to allow employers to pay a constant wage to employees whose hours of work vary from week to week are illustrated by the Wage and Hour Division in a recent supplement to Interpretative Bulletin No. 4.

The first method, designated as the "Time Off Plan," is feasible only when the employee's pay period is bi-weekly, monthly, or some other interval longer than the workweek. When this is the case, overtime in the first week of the pay period may be compensated by time off in the next week or weeks, so that the employee's pay at the end of the period, including overtime

bonuses, remains at a predetermined level. Compensating overtime by time off in this manner, however, is permissible only within the pay period; accumulated overtime at the end of one period cannot be carried over to the next, but must be paid for in cash.

The Division also points out three other limitations on the "Time Off Plan":

(a) For every hour of overtime accumulated in one week, one and one-half hours must be given in time off the next week or weeks;

(b) The plan may not be used in the case of a salaried employee who is

working under an agreement or contract which provides that he shall receive a fixed salary even though he works less than the regular number of hours in some week or weeks;

(c) Time off given to compensate for overtime must not be time which the employee would have had off in any event, such as sick leave, a holiday or vacation.

Unlike the "Time Off Plan," the second device, labeled the "Prepayment Plan," can be used where the employee is paid at the end of every week. In substance it contemplates that employees work for several weeks

for less than their regular number of hours, presumed to be 42, but he paid in those weeks for 42 hours' work. During these weeks, the Division explains, the employer is in effect advancing wages to the employee which have not yet been earned. Then in a future week when the work load becomes heavier, the employee may be worked more than 42 hours, and instead of paying him more at the end of the week, his employer may charge off his overtime earnings against the credits which the employer has built up. *Wage and Hour Reporter*, July 15, 1940, p. 296:2.

Consumers' Choice

SOME significant trends were revealed in a recent survey of 11 large supermarkets which was made for *True Story Magazine*. The study was concentrated among substantial purchasers, and comprised 2,000 interviews.

While supermarket customers are drawn proportionately from all segments of the population, two-thirds of them come from "wage-earner" type families. In the sample used, the family averaged 4.03 persons, which closely approximates the United States urban average of 3.97. Women are the dominant factor in supermarket buying, 84 per cent of the customers being housewives. Regular patronage was found to be almost universal, 95 per cent visiting the market at least once a week, over half going several times a week. Eighty per cent of the family budget is spent with the supers, the remaining 20 per cent being divided equally between chain and independent stores. Over half of the patrons live two miles or more from the market. Nearly half of the customers interviewed had become customers of the supermarket within the past two years, a period of relative prosperity in contrast to the period of depression when supermarkets first came to popular attention as purveyors of distress merchandise.

The magnitude of a manufacturer's sales potentialities in supermarkets is reflected in the fact that the 2,000 customers queried accounted for over a ton of all-purpose flour, nearly two tons of sugar, a half ton of coffee, nearly half a carload of canned fruit and vegetables, and tons of other items—all in a single day's shopping! In all, these supermarket customers averaged to buy 12½ packages or units of nationally advertised merchandise per customer.

It is pointed out, also, that there are nearly 5,000 independently owned supermarket units and at least 1,500 more which are operated by the corporate chains, and that the self-service or "consumer's choice" feature of the supermarket is being adopted in a steadily increasing number of smaller units, some authorities claiming that 100,000 independent grocery stores other than supermarkets have adopted some self-service features.

Marketing Management

Testing and Rating Salesmen

A FEW companies have pioneered for some 15 or 20 years in the use of tests for selecting salesmen. There seems to be some increase in the use of, or experimentation with, these tests since 1929.

It appears that generally a company uses more than one test. At least eight or 10 tests or types of test were noted in a study by the Policyholders Service Bureau, such as Strong's Vocational Interest Analysis, Bernreuter's Personality Inventory, adaptations of Kornhauser's blank, Beckman's revision of Alport's Ascendancy-Submission Test, Root's Introversion-Extroversion Test, Pressey's Senior Classification Test, O'Rourke's Vocabulary Test, and Bureau 6 Intelligence Test. Other tests were referred to merely as mental alertness, aptitude or interest tests.

It is claimed that tests can indicate the selling qualifications of potential salesmen. Although some companies reported successful results with tests, in general it seems that many of these tests are still more or less in the experimental stage.

There has been fairly extensive experience with tests in the life insurance field, and the Life Insurance Sales Research Bureau states that a few of these tests have demonstrated their value.

In general, these tests are of a technical nature, and the advice of a com-

petent psychologist may be helpful, if not necessary.

Some rating charts are closely allied to the tests just discussed. Other charts are quite dissimilar. One distinction made is that in a test the salesman fills out or checks the answers, while a rating chart is filled out by the interviewer.

The Phoenix Mutual Life Insurance Company reported that it has been operating a rating plan which has been unusually successful in eliminating from consideration men who are likely to be poor or below-average salesmen. This scale was adopted in 1927 and revised in 1935.

This chart was developed after an analysis of the records of hundreds of the company's salesmen. More than 40 factors and the man's performance record were analyzed. The numerical measure of the average worth of each factor in predicting success was calculated, and the following 10 factors were finally selected:

1. Marital status and dependents
2. Education
3. Previous income
4. Life insurance owned
5. Previous occupation
6. Selling experience
7. Minimum living expenses
8. Length of residence in community
9. Present membership in organizations

10. Length of time of negotiations.

As age was found to enter into almost every other factor, it was decided to use age as a main control rather than one of the items to be scored. Closer correlation between the scores and success was found when the records were segregated by age groups.

One of the best-known rating charts is the personal rating chart used by the Guardian Life Insurance Company of America. This was presented to the company's sales managers in 1932 and revised in 1937.

To determine the general utility of this chart, it was tested on agents of 11 Canadian companies and was discovered to forecast fairly satisfactorily the production of those agents. The general conclusion drawn from this test is that the chart has general utility and that its use is not necessarily restricted to the company for which it was originally designed.

From "Recruiting and Selecting Salesmen," Policyholders Service Bureau, Metropolitan Life Insurance Company, New York. 20 pp.

Incentives for Jobbers' Salesmen

PRACTICALLY all incentive propositions for jobbers' salesmen are run either on a short-term basis or as a permanent fixture, with the short-term plans very much in the majority.

The short-term plan involves either a contest or a set of rewards which the salesman, in effect competing with himself rather than others, may earn by specified sales performance. The rewards may be in the form of a cash percentage, customarily known as a "P.M.," or a selection of merchandise prizes.

One month is the usual minimum duration for short-term plans. Some run two to three months. A four-month period is relatively rare. Many manufacturers are coming to favor the six-week period, on the basis that it provides two weeks for the salesman to familiarize himself with the pro-

gram and get up momentum, two weeks for peak effort, and a final two weeks to round up the odds and ends.

These short-term activities are designed to provide a special stimulus which will cause the salesman to single out the line from the hundreds or even thousands he may represent and give it a little extra push. A period of concentrated effort may be just the thing which will enable the line to forge ahead. Moreover, the salesmen's future efforts may be more thorough and intelligent as a result of a better understanding of the sales points of the line and its volume and profit possibilities. The retailer is indirectly influenced toward featuring the line more strongly, while the manufacturer himself gets some immediate extra volume plus the material for a brass-tack, factual story of the real importance of his line to the jobber.

In the nature of things, the contest or reward plan is usually employed as a special stimulus. If prolonged over too lengthy a period, the salesman naturally becomes immune to the effects of the stimulant, and the activity defeats its own purpose.

In general, a plan that runs six months or a year is for this reason undesirable. An additional element of disadvantage is the fact that the salesman comes to expect the added inducement as an accepted part of his compensation. This is particularly true in the case of the cash bonus or P.M.

A permanent incentive plan is the one exception to the short-term rule that experience has proved feasible. In certain situations, the manufacturer may adopt a set of rewards for the jobbers' salesmen as an integral and continuing part of his distributive picture. Here the potential element of dissatisfaction at discontinuance of the inducement, of course, disappears, and by skilful handling the manufacturer may be able to keep the incentive angle alive and effective.

The permanent plan is customarily based on a merchandise reward setup offering a wide assortment of prizes for which the salesman may qualify at any time in accordance with a schedule of points based on quantitative sales performance. A continuous contest involving actual competitive effort among salesmen is not feasible for numerous obvious reasons. A continuous P.M. plan involving cash entails the serious drawback that the jobber may discontinue giving his men their regular commission on the line, or at least reduce the amount. As a result, any semblance of added incentive is lost, and the manufacturer is simply paying part of the salesman's regular compensation, with the jobber pocketing the difference.

The continuing system is necessarily applicable only where the line is unusually well established and occupies a major volume position in the jobber's sales total.

Printers' Ink, April 19, 1940, p. 77:6.

How to Pay Salesmen's Auto Costs

FROM the earliest days of motor vehicles, along with dusters, goggles, and blowouts, came the sales manager's problem of how to handle salesmen's automobile expenses.

In an effort to devise an adequate solution to this perplexing problem, a study has been made of the plans used by hundreds of leading firms of

this country. Complete detailed cost records of some 16,700 automobiles have been analyzed and carefully checked.

The survey uncovered a wide range of automobile costs for individual cars when operated under substantially similar conditions. Individual expenses spread far apart, although the

average cost for a group of cars varied in direct proportion to gasoline cost, road conditions, and mileage. For example, the individual car costs varied from a low of 2.1 cents to a high of 11.7 cents per mile for cars operated 300 miles per week in rural territories with good roads. The variation was largely due to differences in driving skill and to maintenance care. It is believed, however, that no policy can or should be based on individual or widely extreme experiences.

One of the primary questions with regard to automobiles used by salesmen is what ownership policy shall be adopted. Is it more desirable for the company to own the automobiles driven by its salesmen in line of duty or to let the salesmen assume that responsibility?

Obviously, no hard and fast rules can be laid down concerning this problem. There are arguments for each side and some shortcomings either way. But if the decision is to rest upon the basis of economy, as is generally the case, it is recommended that a salesman should own the car if the mileage driven for company business is limited. On the basis of wide experience and detailed records maintained by a number of companies in several lines of trade, it is recommended that the line of demarcation be drawn at around 18,000 to 20,000 miles per annum used for company business. Thus, if the automobile is to be driven for business purposes less than 18,000 or 20,000 miles a year, it is best that the car should be owned by the salesman, but if the annual

mileage driven in the firm's interests exceeds this mileage, it is usually more economical for the company to own the automobile.

If the automobiles are owned by salesmen, the allowances to cover car expenses for which salesmen are to be reimbursed should include three distinct components:

1. A mileage allowance covering the cost of gasoline, oil, tires and repairs—items related to mileage.

2. A depreciation allowance which covers the cost of depreciation and obsolescence. This should be enough to produce the proper reserve at trade-in time.

3. An allowance for license plates, taxes, and insurance for public liability, property damage, fire, theft and collision (\$50 deductible).

The first two parts of the salesman's automobile expense can be charted graphically so that, if the company knows the salesman's mileage during a given period, it is possible to compute the reimbursement accurately. It is not feasible to include part three of the expense allowance, as license fees, taxes and insurance vary greatly in amount from city to city and from state to state. It is recommended that the company pay those costs separately when they are incurred.

In order that an accurate determination of automobile expense allowance may be readily and simply made, several charts have been prepared by the writers. These charts are so arranged that they can be used to compute the weekly allowance per mile or the weekly flat sum that should be paid

the salesman. The allowances are charted by *types of territories, kind of roads, and average gasoline cost.*

BY T. N. BECKMAN and H. C. NOLEN. *Advertising & Selling*, February, 1940, p. 30:4.

Check List for Promotional Material

MOST manufacturers distributing products through retail stores realize the extreme importance of the point of sale in the merchandising scheme; so much so that promotion matter frequently and somewhat loosely described as "dealer help material" is no longer regarded as an "Orphan Annie" tagged on to the end of a sales campaign. As a result, a very definite technique has been evolved for the preparation and distribution of "dealer help material" that places the emphasis on "help."

Broadly, the printed and other point-of-sale material used by manufacturers includes: window displays; counter displays; floor displays; hanging displays; package displays; container displays; hand-out literature—folders, booklets, etc.; literature to be mailed.

Results of a study made of the use to which these materials are intended to be put, and the methods adopted by manufacturers to ensure such use, suggest the following rules of procedure to be employed or adapted as circumstances indicate:

1. *Keep display pieces "unselfish"*—have them suggest companion sales of related merchandise, whenever practical.

2. *Don't hog space.* Some stores—drug, particularly—stock thousands of

lines, many of them clamoring for "preferred space." Most dealers regard 30 square inches, or 63 square inches, as a reasonable counter space for anything that is not too slow a seller.

3. *Keep pieces that are to be put together at store simple and foolproof.* If your office boy or elevator man can assemble a display piece without difficulty, it is probably O.K. from that angle.

4. *Make the set-up piece strong enough to stand handling and to last without wilting for as long as you think it has a chance of life.*

5. *Send by request only.* Impress dealer with fact that material is of value to him as well as you.

6. *Make a nominal charge.* This is being done more frequently in the case of more elaborate and costly material, and usually some smaller item or items are included "free." Or—

7. *Make no charge* for more expensive and permanent display equipment, but make it conditional on placing specified order or special deal.

8. *Send no material that is not entered in order form* signed by dealer. Send separate invoice showing cost of material but endorsed "No charge."

9. *Place in separate envelope* or

package all promotion material packed in case with goods; otherwise clerk unpacking goods may consider it as packing material and discard it.

10. *Have your salesmen distribute the material.* This should be done impressively and not casually.

11. *Instruct the salesmen to place the material,* whenever possible without giving offence, in suitable spots.

12. *Have installations made by firm specializing in that work*—this in the case of more elaborate window displays.

13. *Train your salesmen to be expert window-dressers.* Whether this or (12) method be followed, suggest “unselfish” design for windows or other store displays.

14. *Use self-serve rack for small folders, etc.* Pick-up literature lying on counter gets scattered, soiled, and a large proportion of it is wasted.

15. *Give all printed matter a “stopper.”* Hit the eye and the need

of the customer, and always use color judiciously.

16. *Aim to make a fast appeal in copy and illustration.* The customer does not enter a store to read advertising.

17. *Let your message be readable 10 feet away.* Ware hand-lettering that is not easily decipherable at this—or any—distance.

18. *Sell your “dealer help” material to the trade through trade paper advertising.* Convey the impression that it is part of the merchandise you offer.

19. *Secure names and addresses of prospects from dealers* if you offer direct-mail material, letters, etc. Mail all letters from your head office, charging dealer postage only.

20. *Imprint dealer's name, address and phone number on all material referred to in (19).* This pulls better than referring prospect to “your nearest dealer.”

Marketing, June 8, 1940, p. 6:1.

Where's Butch?

WHAT *Advertising Age* describes as “probably the most unusual merchandising stunt ever pulled” has just been completed by Stanco, Inc., on behalf of Flit. In March, residents of Miami Beach and Miami were electrified by an announcement of a “Flit Fly Hunt” to extend over a week's period. Flit offered \$10,500 in rewards and agreed to supply the flies to be hunted. The company released 2,001 flies, 2,000 of them marked with a silver spot on their backs, and one with a gold spot. The silver-spotted insects were worth \$5 each when brought in dead, together with an open can of Flit, to “Flit Fly Hunt Headquarters.” The gold-spotted fly, named “Big Butch,” was worth \$500 to his executioner. Latest reports claim a bag of 400 silver-spots, with golden “Big Butch” still on the wing or dead from natural causes.

—*Marketing* 4/13/40

Financial Management

The Shape of Taxes to Come

THE President's request for even greater defense appropriations and for enactment of a new, steeply graduated excess profits tax only six days after he signed the Defense Tax Act, clearly indicates that Uncle Sam is about to engineer successive tax blitzkriegs on the American pocketbook.

Individuals may expect, either this year or next, that personal exemptions will be slashed even further, that normal tax rates may be jacked, and that the surtax may be applied at a point even farther down the net income scale. There is also the possibility that security-sale gains will be taxed at higher rates and that the deduction for losses on such sales may be severely restricted. Corporations may expect even higher normal tax rates and heavy excess profits taxes based upon average earnings during the past two, three or four years or computed upon the return on "invested capital," with the further possibility that the latter may not include the amount of bonded indebtedness, notes, or open accounts payable. Businesses may also expect further inroads and increased rates in the field of excise, miscellaneous and possibly floor and processing taxes.

How can one hedge against these taxes? Foresighted taxpayers should do everything legally possible to (1) accelerate their income so that it is

realized prior to the end of 1940 and thus not subjected to the even heavier rates which will probably be enacted for 1941 incomes; (2) take all presently allowable security and other loss deductions and close a sufficient number of profitable transactions to offset such losses before January 1; (3) if reporting income on the basis of a fiscal year ending in July or later this year, hasten realization of income so that it falls into the current fiscal tax year, since this will avoid the higher rates of the recent Defense Tax Act which apply only to years beginning in 1940; and (4) in the event war becomes imminent, squeeze all income possible in before the declaration of war so that peacetime rather than much heavier wartime tax rates apply.

Despite the technical difficulties involved in the calculation of invested capital, there are strong proponents of a tax incorporating such a feature. Reason: It gives taxpayers an exemption equal to a reasonable return on their business investment. The new excess profits tax now in the works may therefore sally forth with the old nuisance in full bloom. If borrowed money or property is excluded from the exemption-measuring base, undercapitalization will be highly prejudicial to prosperous taxpayers.

Corporations which expect a high

ratio of earnings for some time to come might seriously consider the advisability of effecting a non-taxable recapitalization by converting their fixed interest-bearing obligations into preferred stock. Such a plan is not advisable, however, where outstanding indebtedness is very large, since in such case the tax benefit of large interest deductions would be lost. The bona fide cancellation by stockholders of closely-held corporations of loans due from the corporation, leaving such amounts in the corporation, also increased "invested capital" under the World War tax measures incorporating this feature. In any event, the

respective advantages and disadvantages must be weighed.

Business enterprises which can reasonably expect rapidly increasing prices of raw or finished materials might well consider the advisability of changing to the optional "last-in, first-out" method of inventory valuation in computing income for tax purposes. This would afford the taxpayer an opportunity to use the cost of the *most recently* purchased goods in a rising commodity market in calculating profit or loss on current sales rather than the cost of items purchased some time before. BY LIONEL J. FREEMAN. *Barron's*, July 8, 1940, p. 3:2.

Cause and Cure

FOR two dollars more a week, one-third of all workers would "sell out" their jobs. So reports the public relations firm of Remsen J. Cole, in making a cross-section survey of Philadelphia workers to determine basic causes of employee-management distrust. The survey suggests that management improve relations by (1) disseminating information on the company's financial status—only a quarter of the employees polled considered their wages fair; (2) cultivating personal relationships—only a third knew their employers well enough to speak to; (3) providing opportunities for advancement; (4) improving working conditions.

—*Forbes* 7/1/40

Employment Prospects in the Petroleum Industry

BOTH short- and long-time outlooks indicate that additional workers will be required in the petroleum and natural-gas industry. The increase will follow in part the expected continued growth of demand for motor fuel and lubricants and in part other factors, such as the shortening of the workweek. These influences will tend to counterbalance a continued increase in output per man-hour due to improved technology. Although outlook is for increasing employment opportunities, technology is modifying the composition of the labor force. The trend is now toward skilled technicians, and the demand for unskilled labor is disappearing rapidly.

—*Monthly Labor Review* 6/40

Insurance

"Blitzkrieg" Fires

HOTTEST, most sudden, and hardest of all fires to fight are flammable liquid fires. They are the "blitzkriegs" of the fire world, often taking place with such swiftness that plant crews are demoralized and effective fire-fighting is out of the question.

To combat these swift and vicious blazes, science has developed a fire-fighting technique that eliminates the human element entirely. It is an automatic gas-smothering method that takes for granted that employees become panic-stricken when fire occurs and therefore leaves nothing for them to do but retreat to safety.

The gas is carbon dioxide or "dry ice" vapor, and it is stored under high pressure in steel cylinders at a point near the hazard. Heat-sensitive detectors are located on ceilings above the hazard, and within a few seconds after fire breaks out, the valves on the cylinders are automatically opened. The carbon dioxide rushes out through a piping system and billows into the room where the fire is burning—smothering it in a few seconds.

In some plants, flammable liquid processes are carried on in small rooms, and only a few cylinders of carbon dioxide are required to flood the entire enclosure. In other plants, where large areas can become contaminated with combustible fumes from low flash-point liquids, batteries

of cylinders holding thousands of pounds of the gas are needed to cope with sudden flash fires which spread with amazing swiftness from room to room. On some processes it is possible to arrange the pipes and discharge nozzles so that the gas clouds envelop only the point in the machine or the surface of the tank where the fire may burst out.

In rooms which are completely flooded with the carbon dioxide, automatic closing of doors and windows is employed to prevent escape of the gas. It is also possible to make the released gas shut off electric motors and pumps in the room.

Some of the flammable liquids which cause so many industrial fires are gasoline, naphtha, benzol, turpentine, oil, lacquer, enamel, and many other solvents and chemicals of carbon derivation. Some of them give off flammable fumes at normal temperature, while others are most dangerous when heated. Incidentally, static and electrical sparks cause about half of these fires, and many a disastrous blaze can be traced to an employee who has a faculty for collecting static in his body.

On these hazards, entire space should be flooded: pump rooms, electric generators, storage rooms, record vaults, airplane motor test trenches, dry-cleaning rooms, coating towers, chemical process rooms, rare treasure

rooms, paint processing rooms, baking ovens, still rooms, lacquer dip rooms, switch rooms, fur storage vaults, transformer rooms, electrical vaults, ventilating hoods and ducts.

On these hazards, gas need be dis-

charged only on surface: dip-tanks, drainboards, mixing tanks, spreaders, coaters, treating operations, oil quenching tanks, washing trays.

By P. W. EBERHARDT. *The Eastern Underwriter*, June 28, 1940, p. 26:1.

Repatriation Indemnity

"REPATRIATION indemnity" is a new form of insurance coverage which will be written for corporations and business concerns covering their agents and representatives stationed in foreign countries. The policy will provide reimbursement for medical and nursing attention in cases of sickness or accident, and where death occurs will pay the cost of bringing the body and the family back to the United States. An endorsement may be secured to pay the cost of sending a successor to the vacated post. The contract is written by an American stock company.

This is a new policy form that is flexible. The assured is permitted to make his own estimate of what his expense in this connection might be. The estimate will be based on the number of foreign offices, distances, and various other factors.

The rates are variable, being predi-

cated on such changing factors as the number of employees in the firm to be covered, whether they are married or single, the distance of their post from their home in this country, number of persons in their family, etc. It is estimated \$1,000 to \$1,500 would be required to repatriate the single man or woman, and \$2,500 to \$3,500 for the married man whose family is with him abroad. The premium rates vary from \$1 to \$2 per \$100 of coverage, and the endorsement to send a successor can be added for an extra premium of about that amount.

In case of a number of employees to be covered, a schedule must be filed giving the personal data. The contract was designed primarily for business firms having a number of representatives abroad, but it will also be issued for single individuals.

The National Underwriter, June 27, 1940, p. 24:1.

► SLOT MACHINES are now being installed in hotel lobbies and railway stations to sell accident insurance policies, good for 24 hours and carrying a maximum indemnity of \$7,500. When a quarter is dropped in the slot, a glass panel slides back, allowing the purchaser to write his name and that of his beneficiary. The machine imprints the time of day upon the policy, releases one document to the insured, and retains a duplicate in the machine.

—*Popular Mechanics*

The Management Question Box

Questions and Answers on Management Practice Based on the Inquiries Received by the AMA Research and Information Bureau.

Individual replies are made promptly either by mail or telephone to inquiries received by the Research and Information Bureau. This service is available to executives of concerns holding company memberships. The questions cited here are those which it is believed are of general interest to the membership.

Policies Governing Military Leave

Question: What is general company policy with reference to employees called out for military duty?

Answer: The annual two weeks' leave for National Guard duty has been a custom in this country, and industry has long been adjusted to that length of absence. Recent surveys on the subject showed that about half of the companies covered were accustomed to paying salaried employees during this period, but the generally accepted practice in the case of wage earners has been to pay the difference between the regular wages and government pay.

A number of employers have been making plans for a longer National Guard training period, but the recent recommendation by the War Department for a year's active duty has necessitated the formulation of entirely new policies. The difficulties involved will be somewhat simplified by the fact that, under the new official policy governing service in the National Guard, married men will be allowed to resign in the three lowest ranks of private, corporal and sergeant. The reason for this, of course, is that the pay in these ranks is not sufficient to provide for dependents.

Already a few cities have enacted ordinances providing 14 days with pay to employees called to service and protecting the rank of those required to serve longer. The Roos Plan, promoted by Col. Robert A. Roos, San Francisco business leader and army reserve officer, and his associates, provides for a 30 days' leave with pay. This plan has been adopted by the city of Los Angeles and is being supported by the National Retail Dry Goods Association and the National Association of Retail Clothiers and Furnishers. Among industrial concerns, General Mills, Inc., has granted 60 days' leave with pay in addition to regular vacations. Monsanto Chemical Company recently announced that all its employees who are members of the National Guard will be allowed the three weeks required for training this summer without loss of pay.

Policies of this kind, of course, are formulated only when the necessity arises, since it is impossible to plan for such contingencies in advance. It is interesting to note that in Canada, where the problem of indefinite leave has had to be faced, most companies have granted leave of absence for the duration of the war with the assurance that jobs will be held for the employees until their return. Some companies, in addition to this, are guaranteeing the payment of premiums on group insurance, and in some cases a "separation allowance" is made to married men and single men with dependents. This allowance varies in amount, sometimes being sufficient to bring the army pay up to the average earnings of the man with the company. Some Canadian firms pay a flat sum; for example, Simmons, Limited, of Winnipeg, guarantees \$25.00 per month to its men who are married or who are the sole support of relatives. It should be noted that in Canada so far military service has been voluntary, and a number of the plans for supplemental payment are definitely designed to increase enlistments. However, similar plans for making up the difference between army pay and earnings are operating in England, where conscription is in effect.

Allocation of Filing Space

Question: How much drawer space is usually allocated to each letter of the alphabet in laying out a centralized general correspondence file? For example, we know that the space provided for material to be filed under the letter "A" should be much larger than that provided for the letter "Q", but in terms of percentages, just how much difference should there be in the space assigned to these two letters?

Answer: The relative importance of each letter of the alphabet varies so widely in individual companies that experience alone can give an accurate answer. If correspondence is highly localized, names that appear frequently in one section of the country may be almost unknown in some other section. Or the name of the town may constitute the first word of the title of many local concerns.

Even though correspondence is nationwide, the bulk of material filed under each letter may differ greatly. Variations may be due to the fact that the names of two or three large customers start with the same letter, or the names of a large number of customers in the same industry may begin with the same word. For example, an office equipment manufacturer might have an unusually large bulk of material filed under the letter "O" because of correspondence with dealers whose names start with such terms as Office Equipment, Office Supply, Office Appliance, etc.

The appended table represents an average breakdown of nationwide correspondence. This average is based on a study of many individual cases in

different industries. While most companies will find that adjustments in percentages are necessary, it will serve as a guide in planning the layout of filing equipment and purchasing sets of alphabetical guides.

<u>Letter</u>	<u>Percent</u>	<u>Letter</u>	<u>Percent</u>
A	3.4	M	9.3
B	9.2	N	2.0
C	7.0	O	1.5
D	4.7	P	4.5
E	2.3	Q	0.2
F	4.1	R	5.0
G	4.9	S	10.5
H	7.3	T	3.0
I	0.6	U	0.6
J	2.1	V	1.8
K	4.2	W	6.1
L	4.7	XYZ	1.0

Trends in Employee Recreation

Question: How are recreational facilities in industry usually organized and administered?

Answer: The trend in recent years has been toward organization and administration of recreational facilities by the employees themselves through clubs and other social groups or through their unions. Although varying degrees of assistance are frequently provided by management according to circumstances, it is essential that the program be what the employees want. This was emphasized at the meeting of the industry group held in connection with the National Recreation Congress at Boston, October, 1939.

There is very little statistical data in this field, but a limited survey recently completed for the National Office Management Association indicates the increasingly important role of the employee in administering recreational activities. In 31 of 34 companies surveyed, recreation programs are wholly or partly organized and administered by employees' clubs or groups. Partial company sponsorship exists in 17 cases, but in 14 instances the employees work entirely independently. Of the three cases where the initiative has been taken by the company, two have recreation programs directed by the personnel department and one has a committee with executives as advisers.

In 15 cases part of the expense of recreational activities is paid by the company and part by the employees. In nine cases, no expenses are borne by the company. In six cases initial or purchase cost is borne by the company, and in four cases operating and maintenance costs are so borne.

It is interesting to note that the programs of most of the companies included in this study have been in existence for a number of years—16 of

them for 10 years or longer. A wide range of activity is reported, with bowling in top place with 26 mentions. Golf comes next with 15 mentions, softball with 14, baseball 12, tennis 10, and picnics 10.

Alien Underwriters

Question: What is the status of American insurance risks which have been placed with British companies?

Answer: Our insurance authorities recognize that British insurance companies are placed in an unfortunate light by the uncertainties of the war. These authorities are making a special effort to publicize the facts of the case so that American business men may know the actual status of these companies.

Many of the American branches of European insurance companies are "entered" in this country, that is, they have qualified under our insurance laws. Most of these branches are established in New York State, where the insurance regulation is especially strict. Superintendent Louis H. Pink says that these branches are practically New York companies. They have deposit capital meeting the minimum requirements; their liabilities are computed in the same way as domestic underwriters'; they are regularly examined by the New York Insurance Department; they have to keep approved assets in the hands of United States trustees at least equal to liabilities, and these trustees are not permitted to release funds without Superintendent Pink's approval.

The majority of the branches in this country are of British fire, marine and casualty companies. Foreign life business is done here mostly by Canadian companies, and other foreign branches operate largely in the reinsurance field. The branches of British companies for the most part have long been established in the United States. Some were in existence here in 1871 and met losses on the Chicago fire. Their underwriting has usually been conservative, and they have contributed their full share to all loss-prevention services. Indeed, they are as dependable as any other well-conducted companies.

In the case of a British company which is not entered under our insurance laws, it is necessary to ascertain what provision is being made by the company to cover its American risks. For example, the National City Bank is trustee of a fund set up by Lloyds of London after the beginning of war. This fund at first was \$40,000,000 and then was increased to \$42,000,000. Since the establishment of the fund, all American premiums have been credited to it and all losses paid out of it, and it has already increased considerably for this reason. It has been stipulated that this fund is to provide payment in American dollars only. This prevents use of the fund for insuring in other countries and makes certain it will be kept here to cover American property risks. The amount does not, of course, equal total

possible loss or total coverage but is more than sufficient to care for property losses at Lloyds' experience loss ratio.

Thus it is apparent that the American business man need have no apprehension as to the safety of risks with British companies provided (1) these companies are entered under our insurance laws, or (2) they have made some such provision as that made by Lloyds.

Survey of Books for Executives

The Good Old Days. By David L. Cohn. Simon and Schuster, New York, 1940. 597 pages. \$3.75.

For the text of this book, the author takes the words: "By their moustache cups, their watch charms, and their bustles shall ye know them." He undertakes a study of the American people over the past several decades by viewing them through the goods that they bought. He uses for his source that familiar and wonderful fat, limp bible of American merchandise, the Sears, Roebuck catalog.

The book is an amusing satire, calculated to appeal to the nostalgia market—that army of Americans who in past generations have scanned the Sears catalog by the light of an open fire, guttering candle, or mellow kerosene lamp. It tells of "athletic" ladies' bathing suits of 1910, ageless tombstones, money belts, chatelaine watches, and beaver hats. The whole story of the evolution of *genus Americanus* is related in the metamorphosis of his underwear alone.

A former executive of Sears, having worked for the company in New Orleans and New York, Mr. Cohn got access to the only complete file of Sears catalogs—the company's own. From the thousands upon thousands of pages crammed with details of cylindrical phonograph records, tandem bicycles, electric hair-clippers, vacuum cleaners, and countless other items, he has taken the familiar objects of yesterday and woven them into a narrative scheme that makes the past real and vivid.

From the chapter headings one gains an impression of the book's strain: Fun and Laughter with the Stereoscope; Time, You Old Gypsy Man (study of the Sears clocks); You Get It—We Cure It (the patent medicine business); How Many Poets Are Lost (birth control by mail order); Woman's Crowning Glory—and Man's (the trade in false hair—toupees, "rats," buns, etc.); From Cotton Drawers to Silk Panties; Dear Sears,

Roebuck (priceless letters from Sears customers down the ages).

To business executives, particularly those in the merchandising field, the volume will be found of the most instructive interest. It shows what advertising and promotional methods made Sears a success and what policies have proved effective in selling Americans.

Organized Labor and Production.

By Morris L. Cooke and Philip Murray. Harper & Brothers, New York, 1940. 277 pages. \$2.50.

During the 1930's, partly because of economic necessity, partly because of legislative order, and partly because of outright conflict, both management and labor were forced to study and air their common problems more intensively than was ever done before in America's history. Out of the storm of argumentation, out of the welter of speeches, articles, books, contracts, manifestoes and tracts, and out of the turmoil of sitdown strikes, picketings and riots, there emerged "a way of industrial life" which is gradually coming to be accepted and which, even if it has no other great virtue, can at least be called utilitarian. This is not to imply the affairs of management and labor are to be tranquil for all time, for many fundamental issues have not been entirely settled and over the relationship there still hovers the pall of a political and legislative storm.

In this book Mr. Cooke, a consulting engineer in scientific management, and Mr. Murray, the well-known labor leader, survey the management-labor relationship in the light of the experience of the 1930's. Their thesis is: how to run a shop from the labor point of view. The volume is one that deserves the attention of all thoughtful executives because, as Messrs. Cooke and Murray very quickly make evident, labor has some highly constructive ideas on this subject. They consider various aspects of business management that affect the worker, such as wage systems, hours, the impact of technology, etc., and tell how happy solutions of these problems can be worked out. They presuppose, of course, that the two parties involved are an intelligent, "enlightened" and liberal management and an equally intelligent and enlightened labor organization.

The authors have such an intimate knowledge of industrial processes and they write in such practical terms that the book is blessed with a strain of realism that is not always found in books of a similar nature. Further, they make some extremely telling points about the relations of workers with foremen which may prove enlightening to executives. They are doubtful of the efficacy of many practices which are generally accepted as good management. For example, they believe that suggestion systems have not been profitable, largely because foremen have discouraged their use,

fearing that they would be placed in a bad light should an employee make an exceptionally valuable suggestion.

On broader issues such as technology, working hours, and the Wagner Act the authors are emphatic in pointing out the employer's responsibility. The NLRA in their opinion should not be amended. "From the point of view of this book," they declare, "the success of such efforts to devitalize the Act would be disastrous. For it is evident that in the American scene—tormented as it has been by powerful opposition to collective bargaining—the active principles of the National Labor Relations Law are needed to protect the free functioning of organized labor."

Training Procedure. By Frank Cushman. John Wiley & Sons, Inc., New York, 1940. 230 pages. \$2.00.

In this book the author explores the whole problem of training employed personnel. The treatment includes examples and discussions of situations from industrial, business and public service organizations. For this reason the text should be a valuable reference or handbook for any executive or personnel administrator who is responsible for in-service training.

The author starts with the fundamental principle that, regardless of the nature of the organization, the prime purpose of in-service training should be improvement in the performance of work. Although in some earlier attempts in industrial in-service

training this was not fully recognized, unfortunate experiences and the development of successful training programs have led to a more general acceptance of this principle.

It is pointed out in the preface that the treatment of the subject is intended to stimulate thinking rather than to solve all the problems that might arise. The author, however, has covered the field quite thoroughly so that, by careful study of this text, any executive or personnel administrator should find invaluable assistance in the preparation for and operation of a training program.

Chapter I deals briefly but convincingly with the need for organized training procedure from the cost angle. It distinguishes between preparatory training for a given assignment and subsequent training for improvement of performance. It then deals with the conditions within an organization which may indicate the need for training, and finally treats the common fallacies concerning training and typical mistakes which have been made in the setting up and operation of training programs in the past.

In subsequent chapters the author emphasizes the importance of proper placement of responsibility both for general results within the organization and for the carrying out of training procedures. He dwells at length on the importance of training at all levels in the organization, from workers to supervisors and executives. Much space is devoted to the fundamental principle that analysis of the job should precede any attempt to

prepare training material. He also points out that no training effort can be fully successful unless it is preceded by careful preparation of material and by the training of those who are to carry on the training. He points out repeatedly that any successful training program must have the support of the upper executives. He also points out, but possibly does not emphasize sufficiently, that in the case of supervisory training this support should include active participation.

Charts and tables are set up as guides for the analysis of the training problem, for the analysis of the field, job or position in which training is to be carried on, and for the preparation of the training material.

As the author points out, complete detail could not be given in a text of this length. The treatment of the subject is thorough enough, however, to be of value to any executive who wishes to explore the field and to any personnel administrator who has a program under way or who contemplates the establishment of such a program.

Reviewed by A. B. Gates, Director of Training, Eastman Kodak Company.

The New Techniques for Supervisors and Foremen. By Albert Walton. McGraw-Hill Book Company, Inc., New York, 1940. 233 pages. \$2.50.

Because of the unique background from which Dr. Walton writes, a more appropriate title for his book might

be: "A New Approach to Old Problems of Supervision." University work at both ends of 25 years of industrial experience provides the author with a keen insight into what is under the surface of human relations.

"Greatness is not a single trait, but a combination of traits brought to bear upon a situation which demands that particular combination for its solution." And—"One of the serious jobs of management today is to find some way of restoring the (workers') interest that has been lost." These sentences set the tone of the book.

Psychology is defined as a study of human behavior. Its significance is held to lie in the fact that "no two people are exactly alike and no one person is ever exactly the same one moment that he was the moment before or will be a moment later." Trying to comprehend that is like visualizing the edge of space. It carries with it a challenge to real leadership.

In an interesting chapter on human habits, an encouraging note is struck in the thought that while each of us has a dominant method of responding to life's situations—with action, with emotion, or with words—everyone has a chance to go to the top whatever system he uses.

Aptitudes are inherited while abilities can be developed—if the aptitude exists. Dr. Walton throws down the gauntlet to executives and supervisors who fail to discover the aptitudes of those working under their direction and states that the simplest way to find ability is to give it a chance to demonstrate itself.

Old dogs can learn new tricks unless there is too much satisfaction with the old ones and no incentive to acquire new ones, he says. "Ignorance is always contented and always resists change, but progress is not made when such factors are in control. By the time we have arrived at adult ages, we are the product of these two elements—the equipment we were born with and what we have learned."

Excellent advice and guidance are offered from long experience on the subject of industrial testing, with emphasis placed upon careful preparation and slow, deliberate application. It is a time-tested and proven activity, but serious errors have been made through amateurish and hasty efforts. Tests should be used as an aid to employment and selection for promotion and not as the entire basis of judgment.

While there is broad controversy as to what personality is, whatever it is, it can be planned and developed. "Most personalities have developed by the chance happenings of life, but there is no reason to continue to leave the development of our own personalities to the same sort of chance from now on." One of the excellent features of this book is that, in making such statements, the author backs them up with suggestions as to how it can be done.

Resistance to change is not so much due to the nature of the change as to the speed with which it is introduced. "The gyroscope may be shifted, but it cannot be yanked into a changed position." Such one-sentence gems are found all through the pages.

Through several short chapters,

sparkling with illustrations from life, pressure is subtly and effectively brought to bear on the reader to shake him out of any complacency he may be enjoying. Improvements in methods in every field are continually being made and ultimately become standard practice. "The man who is so satisfied with his own answers to all questions as to think he has little left to learn, or who has accumulated a stock set of responses to all situations in life, is old whether he is 25 or 65."

Discussion of fatigue, monotony and accidents leads to the observation that if a man's job is fascinating and keeps him keyed to a high pitch, he will not complain of being tired. If a job is uninteresting, the mind is compelled to wander, but the most routine job can be made interesting.

Morale is a matter of human relations. Any organization will "resist the efforts of the troublemakers if the entire supervisory force has for several years been following the policy of considering the workers as normal human beings normally dominated by their emotional reactions."

This book ends with a strong case for self-improvement. It summarizes what has been uppermost in the reader's mind throughout the preceding pages: What can you do about it? Analyze yourself—lay out a program—realize that advancement in life depends as much upon total impression made on others as upon special aptitude and ability for the job at hand.

Best Chapter: "Some Facts About Learning."

Best Sentence: "Wages affect the

pocketbook and long hours curtail leisure time; but irritations affect the emotions, and we are beginning to realize that the essence of employer-employee relations is a sane consideration of the factor of the feelings of

the man on the job." (Page 107)

Both should be reprinted and distributed to every supervisor and foreman in American industry.

*Reviewed by Lawrence A. Appley,
Socony-Vacuum Oil Co., Inc.*

Briefer Book Notes

LABOR PROBLEMS IN AMERICA. Edited by Emanuel Stein and Jerome Davis. Farrar & Rinehart, Inc., New York, 1940. 909 pages. \$3.50. A broad examination of labor conditions in the United States intended primarily for use by the student. It is divided into six books, each dealing with a different aspect of the problem: labor's environment; the development of the labor movement; the contemporary situation in the trade union movement; the part of the employer in labor problems; the relation of government to labor; foreign labor movements.

BUILDING FOR BUSINESS LEADERSHIP. By Arthur L. Miller. Barron's Publishing Company, Inc., New York, 1940. 238 pages. \$2.00. This book consists of a reprint of a series of articles published in the *Boston News Bureau* last winter. The articles are robust pieces about various aspects of American economic life. The author lashes out at many nameless contemporary characters, points out some mistakes of capital, labor and government, makes some suggestions for betterment. Opinionated but provocative.

PUBLIC CONTROL OF BUSINESS. By Harlan Fiske Stone. Howell, Soskin & Company, New York, 1940. 324 pages. \$3.50. The new relationships of law and industry in the selected opinions of the United States Supreme Court Justice, Harlan Fiske Stone. Edited by Alfred Lief, the volume covers such topics as: competition and monopoly, employer obligations to labor, minimum wages, company unions, social security, public utility rate-making, etc.

HOW TO WRITE BETTER BUSINESS LETTERS. By L. E. Frailey. American Technical Society, Chicago, 1940. 198 pages. \$2.00. A textbook for business men emphasizing the elements of effective letter-writing. It offers many samples of letters to satisfy various business needs, suggests substitutes for weak and stereotyped phraseology, and contains quiz questions to help you check the high spots of each chapter.

117 CHECK POINTS FOR GREATER PROFITS IN YOUR PLANTS. G. E. Conkling & Staff, 330 West 42nd Street, New York City. 12 pages. Single copies, 75 cents. A checklist through which firms can survey their plants to determine where economies can be made and efficiency increased. It contains 117 questions on key points which cover basic problems in most plants. The points have been arranged under eight major "objectives." This makes possible a quick check on any particular operation. In addition, a survey of the whole plant can be made by a systematic check of all items in the order in which they are presented.

SECRETARIAL TRAINING. By Edward J. McNamara. The Ronald Press Company, New York, 1940. 304 pages. \$2.75. This revised edition of a handbook for the teaching of secretarial duties includes new material on telegraphic services, filing, office machines and appliances, answering the telephone, writing minutes and resolutions, financial duties and records. Test questions and laboratory exercises will be found at the end of each chapter.